# GOVERNMENT OF INDIA
# LAW , JUSTICE AND COMPANY AFFAIRS
# LOK SABHA

UNSTARRED QUESTION NO:6010
ANSWERED ON:26.04.2001
FUNDING SYSTEM FOR POLITICAL PARTIES
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**Will the Minister of LAW , JUSTICE AND COMPANY AFFAIRS be pleased to state:**

(a) whether the Government propose to review the funding system for political parties;

(b) if so, the details thereof and the action taken by the Government in this regard;

(c) whether the Chief Election Commissioner and Chief Vigilance Commissioner have also given some remarks in regard to the funding of political parties;
(d) if so, the details thereof; and

(e) the time by which the new pattern is likely to be brought out by the Government?

## Answer

MINISTER OF LAW, JUSTICE & COMPANY AFFAIRS AND SHIPPING (SHRI ARUN JAITLEY)

(a) to (e) The Committee on State Funding of Elections (Indrajit Gupta Committee) has recommended, inter alia, partial State funding of elections, in kind only, to recognised political parties and candidates set up by them. The Election Commission of India, apart from giving its stand on the subject of State funding of elections and other allied issues, has expressed dissenting opinion in respect of some recommendations of the Indrajit Gupta Committee. A Statement containing the views of the Election Commission is laid on the Table of the House. In response to letter from the Government, the Central Vigilance Commission has, inter alia, drawn attention to a note prepared by the Chief Vigilance Commissioner in which he has suggested the following:

(i) The funding of the elections and the contribution to the political funds by individuals or corporate bodies must be freely permitted and such contributions must be eligible for tax deduction under the Income Tax Act. The information about all these contributions should be in the public domain and could be published in the web site of the concerned individuals or the organizations and, more important, in the web site of the political parties.

(ii) The political parties must get their accounts audited properly so that there is absolute transparency in the funding process.

The recommendations of the Indrajit Gupta Committee, however, are under active consideration of the Government.

Statement referred to in reply to parts (a) to (e) of Lok Sabha Unstarred Question No. 6010 for 26.4.2001

(A) Views of the Election Commission of India on the subject of State Funding of Elections and other allied issues:-

STATE FUNDING OF ELECTIONS-EXTENT AND MANNER THEREOF:

The Election Commission has already, on its own, evolved a scheme whereby recognized political parties are given far greater time, free of any charges, on equitable basis on State-owned electronic media to make their election propaganda at the time of general elections. This is an indirect State funding.

COMPULSORY MAINTENANCE OF ACCOUNTS BY POLITICAL PARTIES AND AUDIT THEREOF BY AGENCIES SPECII THE ELECTION COMMISSION

The Election Commission of India has always been of the view that political parties should be required to compulsorily maintain their accounts and get them audited by agencies specified by the Commission. There is strong need for transparency in the matter of collection of funds by the political parties and also about the manner in which those funds are expended by them. Therefore, the political parties must be required to publish their accounts annually for information and scrutiny of the general public and all concerned, for which purpose the maintenance of such accounts and their auditing to ensure their accuracy is a pre-requisite. The Commission, therefore, strongly recommends the acceptance of the proposal and reiterates its earlier views on the subject.

BAN ON DONATION BY COMPANIES TO POLITICAL PARTIES:

The current provision on this issue, as per the statute, is that a company in existence for more than 3 years may contribute an amount not exceeding 5% of its average net profit. The Election Commission does not approve of total ban on donations by companies to political parties. After all, the political process and the activities, which a political party legitimately engages itself involve heavy cost which has to be met by funds coming through certain channels. Moreover, if trade unions and other organizations are allowed to contribute to political parties, there seems to be not much ground that companies should be banned from making donations to political parties. Efforts should be made to create an atmosphere where there is more transparency in financial dealings rather than take extreme measures, which would only drive these activities underground and away from the public gaze.

To sum up, therefore, the Commission is of the view that, in a democracy, companies may be allowed to contribute for political causes. However, such contributions should be limited to a reasonable level and, all transactions in this regard must be made in a completely transparent manner.

EXPENDITURE INCURRED BY A POLITICAL PARTY, ETC. TO BE INCLUDED IN THE ELECTION EXPENSES CANDIDATE FOR PUR-POSES OF CEILING ON ELECTION EXPENSES.

The Election Commission is in favour of this proposal.

EMPOWERING ELECTION COMMISSION TO FIX CEILING ON ELECTION EXPENSES BEFORE EVERY GENERAL ELECTION.

The Election Commission is in favour of this proposal.

(B) View of the Election Commission on the Recommendations of the Committee on State Funding of Elections (Indrajit Gupta Committee):-

`The Election Commission has observed from the report that the Committee has not agreed with, or not expressed any definite view on, the following proposals of the Commission:-

(a) The Election Commission has proposed that the expenditure incurred by a political party, any other body of association or any individual in connection with the election of a candidate should be included in the election expenses of that candidate, for purposes of the ceiling on election expenses. The Committee has not make any specific recommendation on this issue and left this question to be decided by the Government/ Parliament in their collective wisdom.

(b) The Commission has proposed that the power to revise the ceiling on election expenses before every election should be vested with Commission, as it is best equipped to fix such ceiling for various constituencies. The Committee has, however, recommended in its report that periodic revision of limits of election expenses may continue to be done by the Central Government in consultation with the Election Commission of India as at present.

(c) The Commission has recommended that political parties should be required to compulsorily maintain their accounts and get them audited by agencies specified by the Commission. While the Committee has agreed with the suggestion of the Commission that political parties should compulsorily maintain accounts of their election expenditure at every general election, the Committee has, however, recommended that these accounts may be audited by such chartered accountants as may be selected by the political parties themselves, which may, however, be further checked by the Income Tax Authorities by their own agencies.`